EXHIBIT 62

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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DEXIA SA/NV, DEXIA HOLDINGS INC., FSA ASSET MANAGEMENT LLC and DEXIA CREDIT LOCAL SA,

Plaintiffs,

vs. Case No. 12-Civ-4761

BEAR STEARNS AND CO., INC., THE BEAR STEARNS COMPANIES, INC., BEAR STEARNS ASSET BACKED SECURITIES I LLC, EMC MORTGAGE LLC (f/k/a EMC MORTGAGE CORPORATION), STRUCTURED ASSET MORTGAGE INVESTMENTS II, INC., J.P. MORGAN MORTGAGE ACQUISITION CORPORATION, J.P. MORGAN SECURITIES, LLC (f/k/a JP MORGAN SECURITIES INC.), WAMU ASSET ACCEPTANCE CORP., WAMU CAPITAL CORP., WAMU MORTGAGE SECURITIES CORP., JPMORGAN CHASE & CO. and JPMORGAN CHASE BANK, N.A.,

Defendants.
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SETH M. FENTON

New York, New York

Friday, January 18, 2013

Reported by: Steven Neil Cohen, RPR

Job No. 57365

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and mortgage loan whole loan transactions.

The clients I typically represented ran the gamut from mortgage loan originators, rating agencies, trustees and most of the investment banks on the street.

Q. Then did you say it was 2005 that you left Cadwalader?

A. That is correct.

Q. Then you went to J.P. Morgan?

A. That's correct.

Q. What did you do, why don't you tell me -- and you are currently still at J.P. Morgan, right?

A. That is correct.

Q. What was your original title?

A. I -- well, I worked for J.P. Morgan Securities LLC formerly J.P. Morgan Securities, Inc. at the time in question.

I work in what is the securitized products group which deals with securitizations and securitized products. Within that there is a subgroup called transaction management.

That was the group that I was

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hired into and I still work in.

I am a deal manager and I am a vice president at J.P. Morgan Securities. My primary responsibility was to facilitate the acquisition of residential mortgage loans by J.P. Morgan in connection with possible shelf securitizations that we would do or whole loan sales which we would do.

Q. Okay. Can you just explain, in your own words, the difference between whole loan sales of mortgages and shelf securitization?

A. Sure.

Once the investment bank purchased loans from either mortgage loan originators or from aggregators themselves that bought loans from other parties what J.P. Morgan Securities would do, so it had an inventory of hundreds of thousands of loans, it would determine to either securitize the loans or to do a whole loan sale.

In a whole loan sale you are selling a pool of loans subject to certain representations and warranties to a

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we focus it is that -- is it J.P. Morgan issued RMBS securities that contained mortgages that had been originated by complete third parties as well as mortgages that had been originated through J.P. Morgan affiliates, correct?

A. Sorry. Maybe I have just worked there so long.

To me J.P. Morgan means both, you know, from the holding company on down so when you are asking, J.P. Morgan Securities issued securitizations off its own shelf that did contain loans, not always, some deals might have had all the loans from -- through the commercial bank but for some of the subprime loans but most of the Alt A or prime transactions the investment bank was aggregating loans that had -- that came from both Chase and other third parties.

Q. On the securitization side how did J.P. Morgan make money through the securitization process?

A. My understanding is that when the bonds are placed or -- the loans are

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originated at a particular price, you know, the borrowers get a loan with their bank.

The loan is then sold to the investment bank at close to par, you know maybe a little below, a little above depending upon the interest rate and other factors.

And then the investment bank would put the loan into the trust and issue bonds and then there would be an underwriter discount.

And that discount strip would be the proceeds, and that is where the investment bank would make its money on the transaction when it placed those -- those bonds in the market.

Q. Is that the same thing as the spread?

I can't tell if you are talking about underwriting fees separate and apart from the spread on acquiring the loans and selling them at a higher price. Are you differentiating the two?

A. I am talking about the

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And, you know, to me non -- agency means loans that the commercial bank could then sell to Fannie Mae or Freddie Mac.

And everything non-agency, you know, falls outside that rubric and typically jumbo loans or what have you and those are the types of loans that the commercial bank was then selling to the investment bank so we could -- the investment bank could then include them in our shelf securitizations.

Q. They worked together, right, the home lending and the investment bank worked together on that, right?

A. Well, as you have pointed out I have lived through it. To me the relationship between the commercial bank and the investment bank were separate in that the commercial bank dealt with origination of loans, servicing of loans and selling loans both to the agencies and to us.

We, the investment bank had to negotiate pricing with the commercial bank.

We had purchase agreements in

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place with representations and warranties and recourse back to the commercial bank so it was sort of an arms length transaction.

We worked to a certain extent in conjunction but we were separate entities, we had separate reporting lines and you know, so it wasn't the same company.

Q. I understand that.

But you worked in conjunction like you said, right, the home lending originated mortgages and to the extent it was non-agency it typically sold those mortgages to the investment bank for further distribution, right?

A. It would sell non-agency jumbo loans to the investment bank which would then be securitized or sold to third parties.

Q. Okay. And the investment bank was not looking to have acquire mortgages for it to sit on its balance sheet, right?

A. That is my understanding, that the investment bank was not looking to hold mortgage loans long term, that when the

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investment bank acquired loans from the commercial bank, Chase, or from third-party originators, the intent was to either put them into a shelf securitization within a certain time period or to then place them with a third-party, through a whole loan sale because these are were typically newly originated loans, performing loans and, with full reps and recourse back to the mortgage sellers.

And we, the investment bank wanted to then turn around with reps and warranties and put them into securitization or sell them when they could.

Q. All right.

That is how the investment bank made money is through the securitization of the mortgages, right?

A. Or through third-party sales.

Q. Right. It was not the strategy of J.P. Morgan to hold the mortgages and bear the risk of default on those mortgages, correct?

A. The investment bank during this

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time period was purchasing loans that were performing either -- you know, newly originated product.

The securitizations in which they would place them in would require loans to be performing with very few delinquencies in the payment history on the loans and likewise the investors and third-party sales were also looking for performing loans.

We weren't in the business of buying what we would call scratch and dent loans where we would in the scratch and dent context you are buying loans at a substantial discount in hopes of either being able to liquidate the asset or able to rework something with the borrower and come to terms.

So the investment bank would buy loans with the expectation that it had recourse back to potential -- to the sellers either through breaches of representations and warranties or EPD claims.

And so the investment bank was not intending to sit on loans until the loans

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matured and/or bear the risk long term of having, you know, the loan go delinquent.

Q. You said that you would securitize loans that had very few delinquencies.

What do you mean by "very few delinquencies"?

A. Well, as would have been disclosed in the Pro Supp, Prospectus Supplement, for each of the transactions the securitizations for, prime, Alt A, subprime, are -- the loans that go into that are going to be cash flowing at least at the beginning where they, the borrowers are making their payments, the payments are getting processed through and are paid to the bondholders.

So you are typically going to have, for especially prime and Alt A borrowers, people that have perfect pay histories, they have always been paying on their loans and you know, likewise for the subprime you will have newly originated loans so they should be making all the payments or if they have missed a payment or two over time they, they are going to be

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And just to clarify, our due diligence team within transaction management would work with the banking team for a third-party underwriting transactions.

So that in those cases the investment bank wasn't purchasing loans, they weren't on our books, but the loans would be put into a deal by an Indy Mac or RFC and the banking team would coordinate with the due diligence team within transaction management to pick a sample of loans that would undergo a very similar credit compliance and property valuation review before those loans were then put into that third-party underwriting securitization.

Q. Was the diligence that J.P. Morgan performed when it was acting solely as an underwriter as rigorous as the diligence that was performed when it was actually acquiring the loans and held them on its books?

A. The review process was generally the same regardless if we were buying loans

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from a third-party, the investment bank was buying loans from a third-party or if we were underwriting a deal and the rational -- well, in terms of the sample sizes that were picked for a property, credit compliance would vary based on securitizations or whole loan trades based on counterparties or the transaction.

It wasn't like one percentage --

Q. Right.

A. -- for each --

Q. Sellers -- sorry. Finish. I just wanted to clarify.

So the size of a sample when you were buying mortgages was sometimes driven by the bid parameters from the seller, right, where they would say make a bid and here is the size of the sample for your diligence, right?

A. It would -- that would have been one of the factors in terms of the sample size picked for a diligence review when we were purchasing loans.

It would -- the size would vary

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based upon the counterparty and what they had negotiated in the trade.

It would also depend upon the size of the transaction, if it was ten loans in the deal versus, you know, 5,000 loans in a deal.

Q. Right.

A. And it would also depend upon if it was a first time we had done a transaction.

If we had, you know, a long-standing track record with a counterparty where we could compare diligence results over a course of time with them in other transactions that would all be factored in when we were purchasing loans.

Then in terms of an underwriting deal that would have been a suggestion between the bankers, the counterparty and the due diligence team as to picking a representative sample of loans to review.

But after the sample sizes were picked the review process was the same. You would have -- a third-party vendor would

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have been hired by the diligence team, you know, Clayton or some other industry known vendor who would then commence and complete a review of the credit and compliance components.

Another vendor might be hired to do a property valuation review and when the results were finally -- came back in from the vendors over the course of the month and the diligence manager was reviewing them they wouldn't make a -- you know, you don't really make a distinction if it is in one of the deals for the whole loan purchases we were buying versus a securitization deal.

So when it came to finally tying out on the population of loans, you know, the only differences on a whole loan transaction the deal manager is talking to me as a deal manager versus in a third-party securitization context the deal manager is talking to someone on the banking team that is working on that transaction.

Q. Okay. Let me show you a document.
We have covered a lot of this.

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understanding from the industry practice was that mortgage originators, subprime mortgage originators were starting to offer up additional loan products.

And maybe in those cases were lowering the requirements for potential borrowers in order to qualify for those loan products.

BY MR. LEBOVITCH:

Q. Okay. Whatever those underwriting standards were you were informing investors that you would ensure that the loans that were securitized had been underwritten in accordance with the seller's guidelines, correct?

A. I believe it is disclosed in the relevant prospectus supplements that the loans are generally underwritten in compliance with the relevant seller guidelines.

Q. In order to get comfort that the loans were in fact underwritten in accordance with the seller's underwriting guidelines you would typically reunderwrite

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a sample of the loan pools put in securitizations, correct?

A. For both loans that we purchased, the investment bank both purchased and later securitized, we would pick a representative sample of the loans, again, it would vary based upon the transaction and the factors I mentioned before about first time counterparty, size of the deal, what was negotiated in the transaction, and we would -- the diligence process -- during the diligence process we would verify if the sample of loans was originated in compliance with those guidelines.

Q. Okay. And you would hire the third-party diligence providers to help in the reunderwriting process, correct?

A. Yes.

Q. They provided reports, right?

A. Over the course of a transaction, let me just walk you through it then.

So once a whole loan, and I will just -- I will give an example of a whole loan transaction. It generally applies to

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the third-party securitization as well.

So at the time of the successful bid by the investment bank on a pool of loans the -- we would get a loan list, let's just say, for example, 1,000 loans are in a whole loan transaction. And a 20 percent sample is being selected.

So 200 loans are being chosen for review for credit compliance in this case.

So the diligence manager assigned to the transaction would pick 200 loans and the general selection process was to pick 50 percent of those loans based upon what they deemed to be adverse characteristics, potential adverse characteristics of the loans based on geographic concentration or particular product type or document type of the borrowers.

And then the other 50 percent of the sample would be selected by the diligence manager based just randomly from the population of loans.

And so they would take that list of 200 loans along with data points that we

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had gotten on the loans and the diligence manager would hire a third-party diligence company who would then take that data and they would do a -- an underwriting review on the relevant mortgage documents relating to that trans -- to that loan.

What that typically meant during the 2005 to 2007 time period was that the third-party vendor would send a team to the mortgage company that was selling the loans and that team would stay on site reviewing physical files as they would go through the documents there or they might have gotten a CD copy of the documents to review.

You know, the industry practice at the time was generally to still have physical paperwork credit files for them to review.

Later things have become more electronically available, you know, where you could just go onto a system and review the documents as they have been scanned on to the system.

During this time period most of

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the review was physical, you know, hands-on on location.

And so the diligence vendor's team would review documents over the course of a couple of weeks typically and they would provide interim reports back to J.P. Morgan.

So they would e-mail back reports, this is our progress report, here is your sample size, 200 loans, and these are our initial findings and we are going to give an interim rating on the loans that we have reviewed and these are the outstanding items that we need to clarify with them. We haven't received these files. We are missing these documents from these files for review or these are issues that are coming up.

And the diligence manager would coordinate between the vendor and someone on the seller side to try to ensure that the documents would be located at the seller to be provided to the vendor so then they could provide additional reports over the course of the month and then final -- and then some

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Do you see that?

Is that consistent with your understanding of what happened with J.P. Morgan securitizations of RMBS?

A. I see the statement and my understanding is that all loans that J.P. Morgan gave a final EV 3 rating to were deemed to be excluded from purchase.

Q. So there were times when the due diligence provider would say this is an EV 3 but J.P. Morgan could override that, correct?

A. There were times where a third-party vendor could -- would have provided a -- what their last report would have included a loan as an EV 3 but either based upon information that was provided after that last report to J.P. Morgan or the vendor, the score could have changed or there were other compensating factors that were taken into account by the investment bank that would deem the loan acceptable for purchase.

MR. LEBOVITCH: I think our video

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Mr. Fenton, I am only going to ask you about the first two pages. Okay.

A. I am sorry.

Q. So I just want to know if the document, okay, the second page, you see an e-mail discussion but my question is about the document that is the second page of this so if you fold over the page, do you see that?

Is that a request for bid from American Home to among others J.P. Morgan Chase?

You can see it says in the top right corner "Express Bid."

A. Yes. This appears to be a secondary market bid proposal from American Home to the secondary market participants including J.P. Morgan for a pool of loans prime express package of loans.

Q. Then J.P. Morgan acquired loans through -- sometimes in bulk, right, or would buy it from a bidder and buy a bulk, a large volume of loans all at once, right?

A. The general idea is that the

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investment bank would buy loans either through one of two mechanisms.

One is what I would refer to as bulk as you are mentioning which is a package of loans that is being placed in a secondary market for competitive bid or maybe directly offered to a single potential purchaser.

And at the time the loans are purchased in that one bulk transaction we also would purchase loans through what we call a flow transaction where individual loans were purchased over a course of time and I don't know if you want me to go explain that.

Q. You anticipated my next question. But I appreciate that this time.

You would also acquire loans on a flow basis from certain mortgage originators with whom you had a relationship, right?

A. That is correct.

Q. Okay. And now this is a bulk purchase from American Home under a program called an express bid process, right?

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A. That is what it says here in the e-mail, yes.

Q. Okay. And stips at the bottom of the second page, they give characteristics about the loans and then they say stips.

Do you see that? What are the stips?

A. These are stipulations that a mortgage seller, in this case American Home, is attaching to their potential bid or when they put this out for competitive bid they are delineating a number of requirements that they want to achieve during the bidding process.

And when -- for example, here, they are talking about these are the relevant prime express guidelines with I guess some noted updates to it that are highlighted.

They are indicating if the loan has mortgage insurance. They want to put a maximum amount of due diligence at 10 percent and they put in some dates as to when the due diligence needs to be selected

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due diligence on loans through the flow program with PHH after we purchased the loans from PHH.

Q. And did Mike Cook express to you that PHH had the impression that J.P. Morgan preferred the less strict review process?

A. Again, I don't read that into this at all. It is talking about as he says, specific deadlines.

He is talking about the timing of the review process, not that we were reviewing to a lesser standard of review which I would think if we actually were reviewing to a more lenient style review that that would make him happier because that would mean that they were selling us more loans and that we wouldn't be putting more loans back to them.

Q. Right. Sellers preferred if you conducted a lesser level of diligence, correct?

A. That is my general understanding that sellers would want to have smaller sample sizes selected and a shorter time

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period and more loans purchased.

Q. And investors, purchasers of our RMBS you understood would prefer more rigorous diligence, correct?

A. Again, I can't speak to what an investor would want but J.P. Morgan in terms of us purchasing loans we would still select representative sample sizes of the loans we were purchasing because not only were we going to take on the risk when we bought the loans, you know, we were holding the residual bonds in most of the securities as well, you know, there are many factors as to why we would yourselves want a vigorous diligence result, you know, for reputational risk and residual bond holdings and just our risk of holding a loan and our ability to put loans back to counterparties.

Q. Okay. When you held residuals the J.P. Morgan trading desks also did what they could to sell residuals to other investors, correct?

A. I don't know -- every time a J.P. Morgan shelf securitization was created

thing to have these, to have a meeting where you would review the different sellers, is that what you recall?

A. As I said I don't recall, you know if there actually was any meetings or how many there were.

I just recall being asked, you know for input in preparing some materials.

Q. Okay. Understood.

So I have a very simple question for you that again just in the interest of time I just want to see if you can flip through this and recognize this document that I have marked Exhibit 354 as some of the materials that were put together for a quarterly seller review meeting at J.P. Morgan.

(Materials for quarterly seller review meeting at J.P. Morgan was marked Exhibit 354 for identification)

BY MR. LEBOVITCH:

Q. If you look at it and see that is not what I am talking about just let me know.

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For example, the page you are looking at, the quarterly, it is the due diligence score card is that the page you are looking at, sir?

A. Yes. That is the first page of the attachment.

Q. Yes. Have you ever seen anything like this?

A. Yes, I have. Right.

Q. Is this something that J.P. Morgan regularly prepared internally?

A. Again, I couldn't quantify how often this was prepared.

Q. Okay. Is it something that was prepared more than once?

A. I couldn't tell you.

I would note that after May of 2007 a number of these counterparties were no longer in business by the end of 2007.

Q. Right. I just want to see if I understand.

Just looking at the due diligence score card which may be one of the only pages we spend a lot of time looking at,

Fenton

Chase Mortgage is listed as one of the sellers, right?

It is about six down, seven down. Let me know if you see it.

A. Yes. I see Chase.

Q. Okay. So am I right that the score internally that the J.P. Morgan transaction management team assigned to Chase Mortgage for underwriting was poor for documentation, was poor and delivery was poor.

Am I reading that correctly?

A. Based on this diligence score card, and the rankings, yes. Those are poor rankings for Chase.

And to explain my understanding of how those were derived since this would have been prepared by the relevant due diligence managers which are listed on the right-hand side, this is really a relationship score with a counterparty.

I know that is one of the subcategories here but it is basically how was the counterparty in terms of working

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with the J.P. Morgan Securities due diligence group in terms of selecting diligence samples, making documents available, clearing exceptions.

And, you know, these are how we would interact with each counterparty and Chase as I mentioned earlier we would treat as a separate counterparty and, you know, in an arms length transaction.

And the diligence team at J.P. Morgan Securities, you know, didn't necessarily feel they were the most cooperative in terms of providing documents or being helpful in the diligence process.

Q. Okay. So this wasn't a reflection of the perception of the quality of the work which Chase was doing, this is just the people at the other subsidiary of J.P. Morgan were not cooperative, is that it?

A. It is an internal view of -- by the investment bank diligence team as to the cooperation relationship they are having with the counterparty.

This doesn't reflect how -- I

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Q. Yes. Well, let me actually ask a broader question.

Can you identify this package of materials as information being -- that J.P. Morgan would be providing to investors in connection with the marketing of the deal so you would have term sheet, collateral supplement, and certain other marketing materials?

A. Well, again, I didn't work directly on this transaction or directly in third-party underwriting transactions but I believe it would be consistent based on the e-mails that these were documents provided to investors, preliminary documents and then later final documents.

Q. Okay. So now let's go to 548542.

Are you there?

A. Are we looking at --

Q. There is a series of charts. I mean let's just look at the second chart there, the original loan -- yes.

The bottom chart is what I am going to focus on.

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A. Like 25 percent.

Q. Right. Just under 25 percent?

A. Are preliminarily event level 3s.

Q. Okay. So when you get the event level 3s some effort is made to look into them and correct if there is missing documents to fill the documents so it is not an event level 3, right?

A. Yes. There is ongoing review between the vendor and Indy Mac and the diligence manager, the J.P. Morgan diligence manager to ascertain why these are event level 3s potentially because those documents haven't been provided for the review or maybe some item actually has come up during the review that needs to be corrected or the loan needs to be removed.

Q. Okay. Well, once it comes up as an event level 3 why not just remove it from the securitization?

A. First of all, the securitization hasn't closed at the point of this review.

Q. Right.

A. And event level 3 at the time of

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this preliminary report just is -- it is a catchall that anything that hasn't been cleared based upon the materials that have been provided fall into that category event level 3.

So if a file is missing certain documents because the loan has just been originated and not all of the documents made it to the vendor reviewing the file and the others -- the other documents have to be tracked down and provided to them, at the time of the review it is deemed an event level 3.

Q. Let me ask you something. Earlier you described the event levels and you said event level 2 means that it was not written to underwriting guidelines but that there appears to be a compensating factors in the loan, right?

A. No. That is not what I said.

Q. That is not -- okay. Fine.

And did you call event level 3s material defects?

A. At the time of the rating that

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level 3.

Q. So while the documents haven't yet gotten to us maybe an event level 3 there are also event level 3s that actually go to the quality of the loan, correct?

A. As I said during the diligence review process that they might have had sufficient documents and they still identified issues that came up that either require some type of solution or the loan would have to be removed.

Q. Okay. So if you found a problem within the sample there was some effort made to cleanse that file so that it could be securitized, right?

A. At this preliminary stage in the review process they would continue to try to locate missing documents or if there were issues that needed to be cleared up see if those items could be cleared up.

Q. If within the sample there was some percentage of defects with the file you would assume that that is generally distributable across the entire pool,

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A. -- based on adverse or random samples.

So they would produce a data tape with the loans in question and one of the fields they would include was whether they had picked the loan as part of the adverse sample or the random sample. So that they could track over the course of the transaction if the issues were coming up on the adverse side, random side, both sides, whatever.

And when the diligence was finally settled on, the population was settled on, as the typical process for the diligence manager on a whole loan transaction and to a certain extent on the third-party underwriting deals, was to provide a final report on their findings and which we would need, what I would need as a deal manager on a whole loan purchase and, you know, what the bankers would need for their securitizations in order to get the transaction closed.

And so the results I would get

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from the diligence manager usually came in an Excel spreadsheet with a summary page that would identify the loans in the pool, the number of loans that were selected for diligence review and then break out which were in the adverse selection population, what were in the random population.

I think they were in some of the materials you provided to me earlier to look at, and they would break out the number of loans, the principal balance and the percentages as to what the loans were for credit compliance and property valuation and the results that went along with it.

Q. Okay. If I understood something you maybe implied earlier is that it is only from the random sample that you could actually extrapolate to the broader loan pool, right?

You wouldn't expect the adverse sample to necessarily be an indicator of how the rest of the pool looks, isn't that kind of what you implied?

A. Well, the focus would be on the

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a process to say I want to know of these original EV 3s how many came from the random sample because from that I could extrapolate to what is in the rest of the pool?

A. Again, the diligence manager who is tracking these preliminary results over the course of the month is seeing what loans they apply to.

So they are monitoring, you know, what loans have potential issues, if it is just missing documents or an incurable item has been identified and they can identify if it is from the random portion, the adverse portion, you know, because they have that loan level detail in the report back from the vendor.

But, you know, is that relevant to -- because at this point it is still just preliminary, it is all mostly because of the missing documents that are later going to be cured.

Q. You assume that is the predominant EV 3, right?

A. That is my general understanding

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delinquency history on the loans that comprise the securitization?

A. I am still reading through it. I haven't identified it yet.

In reading through this preliminary free writing prospectus I have not found anything relating to the current payment history on the loans.

Q. Okay. Now I am going to hand you Exhibit 366.

(Prospectus Supplement for the JPMac 2006NC1 transaction was marked Exhibit 366 for identification)

BY MR. LEBOVITCH:

Q. See if you can identify it as the prospectus supplement for the JPMac 2006NC1 transaction.

You are not going to read the whole thing, are you?

A. You just handed me this 150-page document.

Q. No, I understand. You can flip through it and recognize it as a prospectus supplement for this transaction, couldn't

Fenton

Morgan had even picked a diligence sample so, you know, I don't know if I could conclude that J.P. Morgan ended up buying the pool.

Q. What I am saying is accept a premise that if you look at the actual loan tape for the securitization, okay, if you can show that 1150 of the loans that were on that original due diligence pool that were delinquent also appeared in the NC1 transaction. Just accept that.

A. I am sorry.

Q. Okay. You remember the e-mail said there were 400 delinquent loans out of the 500 that were seasoned, right?

A. Correct.

Q. And I had said there were over 1200 in that original list that were delinquent. I am going to ask you to accept my representation on that.

Do you remember that conversation?

A. Yes, I do.

Q. Now I am asking you to, if I tell you to assume that 1150 of the original

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delinquent loans are actually in the NC1 offering I am asking you to provide any explanation for how that could take place.

A. Well, again --

MR. SLIFKIN: I object to the hypothetical nature of the question.

Go ahead.

THE WITNESS: You know, again, I don't know what the basis would be to conclude that there were 1100 delinquent loans or 1300 delinquent loans in what J.P. Morgan ultimately bought in that pool from New Century.

BY MR. LEBOVITCH:

Q. And what I am saying -- what I am saying is if I asked you to accept that over 1100 of the loans that are on the list we looked at where people identified delinquencies actually ended up in the NC1 deal. Okay?

A. In the whole loan deal or the securitization?

Q. They ended up in the securitization. How can that take place?

Fenton

A. How delinquent?

Q. It was 1100 different loans, some were 30, some were 60. We looked at the list.

A. I wouldn't have an explanation. Again, I don't know the basis would be to conclude those were in the final securitization population.

Q. Okay. Let me ask you something else.

When you found EV 3s in your diligence process you said that there was some effort to find the missing documents, right?

A. Correct. During -- if at a preliminary state -- status of the due diligence review process, a loan that was identified as an EV 3 because of missing documents or an issue had come up, the -- that report provided by the vendor would be shared with the J.P. Morgan diligence manager and information like that may be not as much detail would be provided back to the seller at the same time.

Fenton

So that they would know that based on this preliminary results, you know items -- problematic issues had been identified and so over the course -- you know, from the remainder of the period until the whole loan transaction closed the mortgage loan seller would, you know, have people try to track down missing documents or try to clear up issues and, you know, there would be some ongoing discussions between the diligence manager, the diligence vendor and the seller as to what those items were and what could be done to clear up those issues.

Q. Okay. I mean it would take a considerable amount of effort at times to go back to the seller and go back to the vendor and find the missing documents, right?

A. Possibly. I mean.

Q. Sometimes you would find the documents easily, right?

A. Well, again I don't think J.P. Morgan would find the documents.

I think the seller would produce

Fenton

no diligence rating of EV 1, 2 or 3 applied to it so there was nothing to cure.

BY MR. LEBOVITCH:

Q. Well -- but let me ask something. You acknowledge though that you did a diligence pool with a sample so you could get some sense of what types of problems are in the pool as a whole, right?

A. A representative sample of somewhere between 5 and 100 percent was selected to review loans from a diligence perspective.

Q. It was often somewhere between 10 and 30 percent; right?

A. That is a fair representation, yes.

Q. Okay. So what I am saying is you would do your diligence sample and you would learn based on the original diligence sample that there is some likely proportion of the overall pool that has certain missing documents or credit flaws or other types of potential defects, right?

Fenton

contributor that proved costly for consumers, the entire financial system and our economy?"

A. I am sorry. Where are we?

Q. Top bullet, first sentence.

I want to know if that is a true statement by your CEO, Jamie Dimon. Well, I want to know if it is a true statement.

A. If you don't mind I would like to read the statement.

Q. Go read it.

A. I have read the statement.

Q. Okay. Is that an accurate statement?

A. Based on the testimony of Jamie Dimon nothing comes my knowledge that would -- to bring -- would disagree with this, that would lead me to believe this was not an accurate statement.

He is indicating, you know, some of the reasons why the mortgage market meltdown occurred and he highlights pay option arms as a definite problem which as I pointed out was a product that J.P. Morgan

never originated and we didn't purchase.

Q. All right.

In your experience being a transaction manager doing deals including subprime deals, you agree that poorly underwritten mortgage products were a significant contributor to the market -- mortgage market meltdown, correct?

A. I mean, I believe that in general poorly underwritten mortgage loans were a contributing factor.

I couldn't quantify for you how much this affected the mortgage meltdown, if it was the contributing factor or there were other factors such as higher unemployment, you know, other factors involved.

Q. Okay. We are going to turn our focus to another deal now.

Did you ever hear the phrase CBASS as a issuer of RMBS securities?

Are you familiar with that, CBASS?

A. I am familiar with the company CBASS.

Q. What is CBASS? Here. There are

Fenton

Q. Okay. So you see here that Kathryn writes to Joel Readence in the diligence group, "Please coordinate diligence with Clayton for the upcoming CBASS 2007-CB 6 transaction," right?

A. Yes. She has contacted Joel Readence in the transaction management due diligence manager group to coordinate due diligence for credit and compliance through a vendor named Clayton in connection with the CBASS 2007 CB 6 transaction.

Q. Joel asks, "Hi Kathryn, am I doing gay property review on the sample?"

Do you see that?

A. I see that.

Q. She says, "No property review. Thanks."

Do you see that?

A. Yes, I do.

Q. In the normal course the diligence team would do a property review on the sample, wouldn't it?

A. It depended on the transaction. It depended on the time period. It depended

Fenton

their final set of reports to the J.P. Morgan manager, due diligence manager, and he concludes through ongoing discussions with the seller or internal discussions within due diligence or the transaction management group to override the prior grade by the vendor, then that might show up in e-mails, there might be additional notations in the specific trade folder or there might have been manual notations.

But that is where I would likely expect to see that, mostly in the shared file, you know, what is reflected in the final summary report of the diligence manager's results when they concluded the summary, what they found as their ultimate results in here would be reflected as having overridden a prior decision.

Q. What is the point of having third-party due diligence vendors conduct the diligence?

A. Due diligence vendors such as Clayton or other -- you know, we had a number of them, probably over ten different

Fenton

on the type of loans in question.

For loans that J.P. Morgan was purchasing it was standard course in 2007 to do property valuation in addition to selecting a credit and compliance sample.

However, in a third-party underwriting deal although the process was the same once you hired the vendor and how you reviewed loans and ultimately decided what loans were in, you know, the sample sizes or if a property valuation was done, that was up to a particular deal in a discussion between the J.P. Morgan banking team as underwriters and CBASS and the due diligence managers in the transaction management group.

The transaction manager asks a question about property review.

The banking team said that no property review was going to be done for this transaction.

Q. Understood.

What are diligence overrides?

Have you heard the phrase "overrides" in

Fenton

appraise values.

So vendors, you serve an important function in being able based on their expertise and their manpower to go and do a large amount of review of diligence files on a fair amount of loans in a certain time period.

Q. Okay. If J.P. Morgan internal personnel could just override what the outside vendors say doesn't that undermine the value of what the experts are supposed to be providing?

A. I wouldn't agree with that statement.

The due diligence managers at J.P. Morgan responsible for reviewing the whole loan trades, they themselves all had prior expertise and experience in underwriting loans and reviewing for a credit or compliance. They were hired to manage these teams of vendors to do reviews.

Now, if for -- you know, when it came time for a final conclusion and a particular loan had been determined by the

Fenton

vendor to not be acceptable and information came in after that point, a compensating factor came in after that point that J.P. Morgan deemed sufficient then, you know, it was perfectly within the due diligence manager's right and authority to change the grading in order to say the loan was acceptable.

Now, that decision to override is based on their own experience and based upon, you know, what the standard we had in the transaction management team.

Was there situations where due diligence managers were overriding a large number of results from vendors, no, I don't think that happened.

Q. Okay. The internal due diligence managers had some of their bonus tied to the profitability of the mortgage trading desk, right?

A. My understanding of the due diligence managers was their compensation structure was the same as my compensation structure which I explained before.

Fenton

Q. Mr. Fenton, let me ask you. People on the due diligence team internally at J.P. Morgan had authority to override the third-party due diligence providers, correct?

A. That is my understanding, yes.

Q. Did bankers have authority to override the third-party due diligence providers?

A. I don't know if they had on a particular loan but they had the ability in conjunction with the rest of the transaction management in whatever internal discussions they had to conclude that loans were acceptable to be put into the deal.

Q. Okay. Okay. But in the normal course the bankers are not supposed to have the decision making power over -- for overrides, correct?

A. I don't know what the general practice is. I know in a whole loan transaction that after the due diligence manager had concluded what loans were acceptable and the loans were put in for,

Fenton

products sales force whose names I am familiar with so I am assuming that is how these documents were distributed.

Q. How much time does it normally take to go through the due diligence process on a loan purchase?

MR. SLIFKIN: On a what purchase?

MR. LEBOVITCH: A whole loan purchase.

THE WITNESS: Okay. Well, do you want me to talk about property valuation or just credit compliance?

BY MR. LEBOVITCH:

Q. Let's first ask the direct question. The credit and compliance due diligence process how much time typically would it take if there was some typical amount or a range?

A. Nuts to bolts from the time a loan population was picked for a due diligence sample from when J.P. Morgan was the successful bidder on a pool of loans it would typically take about a month to settle the trade.

Fenton

And within that month the due diligence process would take up a subset of that, maybe three weeks would be a realistic on a prime or Alt A deal where you are talking about a -- you know, we are not talking about thousands of loans, we are talking about hundreds of loans.

If you are talking about a flow transaction where you are buying individual loans, that is just an ongoing process and there is no real time period set aside for that.

As for subprime bulk purchases where you are talking about thousands of loans, that due diligence process might take more than a month or so because you are reviewing a much larger volume of loans, you have to send vendors on site to the seller's location.

And as I was explaining before you might have multiple rounds of due diligence and subsequent funding so, you know, it might be an ongoing process for three months.

Fenton

So it just depends on the product type, it depends on the size of the loan population. But that is typically what a credit or compliance review would take.

Property valuation, that is an automated process initially. That doesn't take too long.

Once you get back those automated results if the original appraised value of the loan is still outside of 15 percent value variance then it might take a few weeks to continue to have like brokers go out, take photos of the property and try to tie out the valuation on the property. So you know that could also take a while.

Q. Okay. So the date on this term sheet for the RASC06KS7 securitization is August 11, right?

A. That is the date of the free writing prospectus, yes.

Q. Okay. Now I am going to hand you Exhibit 379.

(E-mail was marked Exhibit 379 for identification)